MESSAGE FROM THE DIRECTOR

There is no such thing as a routine year at the Idaho Department of Lands.

We set high expectations and welcome new challenges so that unique accomplishments emerge at the end of a year.

The year 2015 was no exception.

Hundreds of fire personnel and staff from all parts of the agency contributed to helping manage one of the most destructive fire seasons Idaho has experienced in many years.

We put together a solid plan for conserving sage-grouse habitat on endowment lands and for activities covered by other IDL regulatory and assistance functions.

We successfully auctioned dozens of cottage site lots, bringing us even closer to fully executing the direction of the Land Board to divest the lake lots over time. The sale proceeds will be redirected to assets that produce higher financial returns for the endowment beneficiaries we serve.

Teams of experienced foresters and other land management personnel facilitated the harvest of more than a quarter of all the timber harvested in Idaho in a single year, and they expediently pulled together timber sale packages that retrieve value from charred trees in order to make more money for public schools and give new life to burned forests through reforestation.

We finalized a grazing program business plan and kicked off a year-long process to engage stakeholders in reviewing the rate ranchers pay to graze livestock on endowment rangelands.

Working with the Endowment Fund Investment Board, we made a lot of progress carrying out the direction of the Land Board to be more strategic in our management of the endowment lands and funds as one.

Of course, we met twice as many goals for ourselves internally that don’t grab headlines. Those efforts to improve our processes and procedures move us closer to meeting our mission and vision.

These accomplishments are making a difference. The Idaho Department of Lands plays an important role in supporting jobs and Idaho’s economy through the active management of endowment lands. The revenue from the activity helps fund public schools and other State of Idaho institutions, partly easing the task of Idaho taxpayers to fund them. In our host of regulatory and assistance functions, we help protect and sustain Idaho’s natural resource economy.

We’re not finished. As an outfit that takes pride in productivity, we will perpetually reexamine our goals and embrace unforeseen hurdles to deliver positive results for the beneficiaries and customers we serve.

TOM SCHULTZ | Director
**INTRODUCTION**

**LANDS & WATERWAYS ACCOUNT STATEMENTS IDL - 2015 ANNUAL REPORT**

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**FIREFORESTRY**

- Ownership Breakdown
  - Forest Service: 38.2%
  - Bureau of Land Management: 22.1%
  - Federal Other: 2.9%
  - Tribal: 1.7%
  - Private: 30%
  - State Endowment: 4.6%
  - State Other: 0.5%

- Total Acres in Idaho: 53,130,842

- Major Lakes:
  - Boise Staff Office - Boise
  - Coeur d’Alene Staff Office - Coeur d’Alene
  - Priest Lake Supervisory Area - Cotton
  - Wind River Lake Supervisory Area - Sandpoint
  - Sun Valley Forest Protective District - Donnelly (part of Priest Lake Supervisory Area)
  - Mishe Lake Supervisory Area - Coeur d’Alene
  - Cataldo Forest Protective District - Kettleman
  - St. Joe Supervisory Area - St. Maries

- Other / Statewide Highways:
  - Major Highways: Idaho Highway
  - Other: State-IDL ENDOWMENT LAND

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**OFFICE LOCATIONS**

- Boise Staff Office - Boise
- Coeur d’Alene Staff Office - Coeur d’Alene
- Priest Lake Supervisory Area - Cotton
- Wind River Lake Supervisory Area - Sandpoint
- Sun Valley Forest Protective District - Donnelly (part of Priest Lake Supervisory Area)
- Mishe Lake Supervisory Area - Coeur d’Alene
- Cataldo Forest Protective District - Kettleman
- St. Joe Supervisory Area - St. Maries

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**STATE ENDOWMENT 4.6%**

**STATE OTHER 0.5%**

**PRIVATE 30%**

**FOREST SERVICE 38.2%**

**BUREAU OF LAND MANAGEMENT 22.1%**

**FEDERAL OTHER 2.9%**

**OTHER / STATEWIDE HIGHWAYS**

- Major Highways: Idaho Highway
- Other: State-IDL ENDOWMENT LAND

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**OWNERSHIP BREAKDOWN**

**TOTAL ACRES IN IDAHO: 53,130,842**

- Forest Service: 20,322,200
- Bureau of Land Management: 11,698,100
- Federal Other: 1,562,000
- Tribal: 888,150
- Private: 15,952,100
- State Endowment: 2,441,692
- State Other: 266,600

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*Extraneous data and non-land ownership categories represented by other organizations have been removed. Acreages in this report are rounded to the nearest 100 for all categories except State-IDL. Lands located beneath lakes and streams are not included in this analysis. **Includes 11 other classifications of federal land. ***Includes lands managed by U.S. Bureau of Indian Affairs and lands within an Indian Reservation boundary that are managed by a Tribe. ****Includes lands managed by Idaho Department of Fish and Game, Idaho Department of Parks and Recreation, and other State ownership.
PHILOSOPHY
The Idaho Department of Lands: Trusted stewards of Idaho’s resources, from main street to mountain top.

OUR VISION
The Idaho Department of Lands will be the premier organization for trust management, service, and regulatory oversight in the western United States.

We will invest in Idaho's resources to maximize financial returns to the endowment trust beneficiaries and enhance the health and resilience of Idaho's natural resources for the benefit of all Idahoans.

We will deliver programs with professionalism and integrity, providing exemplary service to the citizens of Idaho.

We will invest in our employees and have an organizational culture and framework that equips, entrusts, and expects employees to make decisions.

The Idaho Department of Lands will be a unified and vibrant organization in which all employees participate in constructive communication to fully meet our missions.

OUR MISSION
To professionally and prudently manage Idaho's endowment assets to maximize long-term financial returns to public schools and other trust beneficiaries and to provide professional assistance to the citizens of Idaho to use, protect and sustain their natural resources.

IDL ORGANIZATIONAL STRUCTURE

2015 IDL SNAPSHOT

LEASES & PERMITS

<table>
<thead>
<tr>
<th>Type</th>
<th>IDL 2015</th>
</tr>
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<tbody>
<tr>
<td>Conservation leases</td>
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<tr>
<td>Commercial leases</td>
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<tr>
<td>Endowment mineral leases</td>
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<td>Alternative energy leases</td>
<td>22</td>
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<tr>
<td>Oil and gas leases</td>
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<td>Active oil and gas drill permits</td>
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<tr>
<td>Submerged land leases</td>
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<tr>
<td>Active encroachment permits</td>
<td>11,445</td>
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<tr>
<td>Active land use permits</td>
<td>201</td>
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<tr>
<td>Fire safety burn permits issued</td>
<td>9,239</td>
</tr>
<tr>
<td>Farming leases</td>
<td>69</td>
</tr>
<tr>
<td>Grazing leases</td>
<td>1,159</td>
</tr>
</tbody>
</table>

IDL ORGANIZATIONAL STRUCTURE

LANDS & WATERWAYS DIVISION

FORESTRY & FIRE DIVISION

SUPPORT SERVICES DIVISION

OPERATIONS

GOCUS EXECUTIVE LEADERSHIP

TOM SCHULTZ – Director // DAVID GROESCHL – State Forester, Deputy Director, Forestry and Fire Division // DIANE FRENCH – Deputy Director, Division of Lands and Waterways // DONNA CALDWELL – Administrator, Support Services Division // ANDREA RYAN – Human Resource Officer

EXECUTIVE LEADERSHIP

St. Joe Lake, Shoshone County
The Idaho State Board of Land Commissioners (Land Board) consists of Idaho’s Governor, Secretary of State, Attorney General, Superintendent of Public Instruction, and State Controller.

In 1890, Idaho became the forty-third state of the Union. At that time, Congress granted millions of acres of land to the new State of Idaho for the sole purpose of funding specified beneficiaries, primarily the state’s public schools.

The mandate was included in the Idaho Constitution, which states the lands will be managed “in such a manner as will secure the maximum long-term financial return” to the beneficiary institutions.

The Land Board members are the stewards of state endowment trust lands in Idaho and the tens of millions of dollars in revenue that are generated for the trust beneficiaries from the use of the lands, along with nearly two billion dollars of endowment funds.

In November 2014, Lawrence Denney was elected Idaho’s new Secretary of State and Sherri Ybarra was elected Idaho’s new Superintendent of Public Instruction. They took office in January 2015.

Implementation of the Land Board’s Comprehensive Strategy Review (completed in late 2014) proceeded in earnest in 2015. An outside expert began evaluating IDL’s current holdings of commercial buildings in Idaho to determine the most prudent strategy to manage or dispose of the properties. Other outside experts were identified to review and independently confirm major land investment decisions.

A subcommittee of IDL and EFIB representatives began meeting to advise the Land Board on investment issues that impact both the endowment land and the endowment fund. A newly-constituted Land Board Audit Committee identified information associated with land management that will be verified by outside auditors annually. The EFIB approved a plan to begin investing in two large pools of premier U.S. commercial real estate which, over time, will improve diversification of the endowment fund and move its asset mix from the current 70% stocks/30% bonds to 66% stocks/26% bonds/8% commercial real estate.

The nine-member Endowment Fund Investment Board (EFIB) manages, on behalf of the Land Board, the investment of a perpetual endowment fund whose original source is land sale proceeds and the reinvestment of income generated by Idaho endowment trust lands. A staff of four people in Boise assists the EFIB in overseeing the fund and the outside investment managers who make the day-to-day investment decisions. Members of the EFIB are appointed by the Governor and confirmed by the Senate.
The Endowment Beneficiaries

Idaho’s public school system is the primary beneficiary of state endowment trust lands. All constitutionally designated funds and their beneficiaries are:

- Public School Endowment Fund
- Agricultural College Fund
- Charitable Institutions Fund
- School of Science Fund
- Penitentiary Fund
- Normal School Fund
- School of Education and Lewis-Clark State College
- Capitol Permanent Fund

The Endowment Technology

The Information Technology (IT) team supports agency operations by implementing and supporting cutting-edge internal and public-facing enterprise systems. The IT team also manages the agency’s computing infrastructure and records management functions.

Fiscal Management

Under the supervision of the financial officer, the fiscal section provides oversight and policy direction for all accounting functions within the department, including accounts payable and receivable, payroll, and internal auditing.

Procurement

There are few other State of Idaho agencies that rely more heavily on the private sector to complete its work than IDL. Procurement staff in 2015 solicited, awarded, and assigned $132.4 million in contracts and purchase orders with the private sector to carry out the agency’s work.

Human Resources

Staff members in the Human Resources department support the agency in the areas of development, recruitment, retention, benefits, and compensation. They ensure compliance with federal and state laws and provide value-added services in the areas of training, performance management, facilitation, and employee relations.

Public Information

Two Public Information Officers manage the agency’s many communication needs for internal and external audiences, including the news media. They also oversee the dissemination of public information for wildfires burning in State of Idaho protection areas.

Director’s Office

Staff members who provide administrative support in the Director’s Office are responsible for a variety of duties including supporting the director and executive staff and coordinating details and materials related to Land Board and Oil and Gas Conservation Commission meetings.

Strategic Planning

A Strategic Planning Manager oversees the development of a strategic plan that, in part, identifies strategies, performance metrics, and outcomes to allow IDL to prioritize resources and measure its performance.

Real Estate Services

A Real Estate Program Manager facilitates land exchanges and land transactions involving endowment lands. An appraiser oversees contracts with third-party appraisers to determine the market value of endowment lands. Right-of-way agents secure rights of way and easements to improve access to endowment lands statewide. Land Records staff members maintain the property ownership databases and records for lands under the agency’s management.

Geographic Information Systems

A team of Geographic Information System (GIS) analysts design, develop and implement GIS applications, geodatabase and process-automated tools to provide IDL managers with working solutions to their spatial data collection, analysis and reporting needs.

Interdisciplinary Team

The Interdisciplinary Team is the cadre of technical specialists in biology, wildlife, fisheries, and geotechnical engineering that provide advice and technical assistance to endowment trust land managers across Idaho. They help ensure that management activities maintain wildlife habitats, protect ecological integrity, comply with water quality standards, and work in harmony with diverse geological settings.

Endangered Species

IDL supports the Idaho Fish and Game Commission — are the dedicated people who perform research, science-based reviews and inputs to help ensure sustainable active management is supported on state endowment lands in compliance with federal and state regulations. IDL weighs in on any proposed federal listings of species in Idaho that will affect management of endowment trust lands. Species listings can present constraints and uncertainty in land management. IDL is proactive in providing researched, science-based reviews and inputs to help ensure sustainable active management is supported on state endowment lands in compliance with federal and state regulations.
### Timber Harvested - FY 2015

<table>
<thead>
<tr>
<th>North Operations</th>
<th>Day (Fy)</th>
<th>Sawlog (MBF)</th>
<th>Ponderosa (MBF)</th>
<th>Ponderosa (Ton)</th>
<th>Ponderosa (LF)</th>
<th>Boggs Creek (MBF)</th>
<th>Boggs Creek (Ton)</th>
<th>Boggs Creek (LF)</th>
<th>Payette Lakes (MBF)</th>
<th>Payette Lakes (Ton)</th>
<th>Payette Lakes (LF)</th>
<th>Total (MBF)</th>
<th>Total (Ton)</th>
<th>Total (LF)</th>
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<tbody>
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<td>12,382</td>
<td>197,883</td>
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<tr>
<td>Salmon</td>
<td>7,605</td>
<td>1,104</td>
<td>1,572</td>
<td>701</td>
<td>143</td>
<td>1,703</td>
<td>355</td>
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</tr>
<tr>
<td>Total</td>
<td>15,987</td>
<td>1,776</td>
<td>18,202</td>
<td>2,807</td>
<td>2,052</td>
<td>19,245</td>
<td>2,301</td>
<td>16,162</td>
<td></td>
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</table>

### Timber Sold - FY 2015

<table>
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<tr>
<th>North Operations</th>
<th>Day (Fy)</th>
<th>Sawlog (MBF)</th>
<th>Ponderosa (MBF)</th>
<th>Ponderosa (Ton)</th>
<th>Ponderosa (LF)</th>
<th>Boggs Creek (MBF)</th>
<th>Boggs Creek (Ton)</th>
<th>Boggs Creek (LF)</th>
<th>Payette Lakes (MBF)</th>
<th>Payette Lakes (Ton)</th>
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<th>Total (MBF)</th>
<th>Total (Ton)</th>
<th>Total (LF)</th>
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<tbody>
<tr>
<td>Yakima</td>
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<td>16,680</td>
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<td>8,599</td>
<td>125,142</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salmon</td>
<td>7,500</td>
<td>1,104</td>
<td>1,572</td>
<td>701</td>
<td>143</td>
<td>1,703</td>
<td>355</td>
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<td>Total</td>
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</table>

### Average Sale Prices

<table>
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<tr>
<th>Product</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sawlog</td>
<td>$203.93</td>
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<td>$279.05</td>
</tr>
<tr>
<td>Ponderosa</td>
<td>$29.94</td>
<td>$33.89</td>
<td>$44.05</td>
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</table>

### Average Harvest Prices

<table>
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<th>Product</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sawlog</td>
<td>$50.00</td>
<td>$54.00</td>
<td>$58.00</td>
</tr>
<tr>
<td>Ponderosa</td>
<td>$5.00</td>
<td>$5.00</td>
<td>$5.00</td>
</tr>
</tbody>
</table>

### Timber Volume Transactions

<table>
<thead>
<tr>
<th>Product</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sawlog</td>
<td>257,300</td>
<td>180,324</td>
<td>125,142</td>
</tr>
<tr>
<td>Ponderosa</td>
<td>96,236</td>
<td>73,379</td>
<td>16,700</td>
</tr>
</tbody>
</table>
The IDL forestry assistance professionals provide technical assistance to forest landowners, organizations, other IDL programs, and local, state and federal agencies. These specialists in forest management, entomology, pathology, community forestry, and fire advise and assist forest landowners and managers, urban foresters, and consulting foresters in the responsible management of forest resources and enforce the policies set forth by the Idaho Forest Practices Act, which regulates commercial forest operations within Idaho.

Many bureau programs are funded through partnerships with the USDA Forest Service, State and Private Forestry program.
2015 program accomplishments (all projects located in northern Idaho):
- The primary objective is to keep working forests working. lands that might otherwise be developed and lost as productive forests.
- Providing funds to purchase conservation easements on private base. The IDL administers a federally-funded Forest Legacy Program, their lands to uses that will forever remove them from the forested land
- Many private forest landowners face economic pressure to convert FOREST LEGACY
- URBAN AND COMMUNITY FORESTRY

... continued
- Closed on four landowner CEs containing 1,453 acres as part
- CY/FY 2015 HIGHLIGHTS

- Due diligence work in progress for three projects:
  - FY15 Holmtruf Lake East containing 8,000 acres
  - FY15 Chapleton Meadows containing 13,053 acres
  - FY15 Bell Mountain - Kootenai Valley project containing 3,281 acres ranked third nationally. Funding for this project will be

- COHESIVE STRATEGY

- The National Cohesive Wildland Fire Management Strategy coordinates the efforts of federal, state and local partnerships. The three tenants of the strategy are to restore and maintain resilient landscapes, create fire-adapted communities, and strengthen wildfire response.
- Southern Idaho Cohesive Strategy (Elmore County)
  - Restore a resilient sagebrush steppe by implementing a National Cohesive Wildland Fire Management Strategy (Cohesive Strategy) in the state's community forests.

- COMMUNITY FIRE PROGRAM

- Fire resiliency not only applies to the vegetative components associated with the many landscapes found throughout Idaho, but also to the communities and individuals that call these same areas home. IDL supports a wide range of activities related to modifying vegetation, planning, and education to reduce wildfire impacts on communities.
- Four counties ( Boundary, Bonner, Lemhi and Bonneville) and one special service district (Idaho Dair and Water) received Hazardous Fuels Reduction funding to reduce fuel loads on private lands. Projects are adjacent to areas where similar efforts are being undertaken by various units of the USDA Forest Service.
- These counties (Bear Lake, Kootenai and Shoshone) were selected through the Western Fire Managers competitive process to receive funds to reduce fuels on private lands.
- Executive Director: RUSSEL (RUSS) HODGAR

- The Idaho Board of Scaling Practices enforces log scaling (measurement) standards prescribed by statute and regulation, to ensure professional quality log scaling for the benefit of Idaho timber interests. The board tests and licenses log scaling practitioners and subjects them to routine, unannounced checks to assure proficiency. The board also administers log brand registrations and the disposition of prize (abandoned) logs.
- An executive director and check scaler, headquartered in the Idaho Department of Lands Deer of Kimee Staff Office, carry out the board’s directives. Funding for the board is derived from assessment fees levied on the scale of forest products harvested within the state and from licensing and registration fees.
- Appointed by the Governor, board members represent industry, logging, and private landowner interests.
FIRE MANAGEMENT

Fire management responsibilities are one of the most visible of our functions.

On a day-to-day basis IDL establishes and implements policies to prevent, prepare for, and fight wildland fires on more than six million acres of state and private forest and rangelands in Idaho.

These responsibilities include regulating the elimination of fire hazards caused by timber harvesting on state and private lands. In FY15, IDL fire wardens inspected 2,427 compliances related to this responsibility. Our duties also include issuing fire safety burn permits to individuals living outside city limits anywhere in Idaho, who plan to burn for any reason—including crop residue burning and excluding recreational campfires—during closed fire season. In calendar year 2015, IDL issued 9,235 fire safety burn permits, with the help of the online resource: BurnPermits.Idaho.gov

The department’s work in fire management helps protect and preserve important endowment timber assets as well as millions of acres of private forestland. The department also enhances forest and rangeland management on state endowment trust lands by utilizing fire as a management tool, while protecting local communities from wildfires by reducing fuels.

CHIEF FOCUS OF IDL MANAGED FIRES IS INITIAL ATTACK

- Put out fires as quickly as possible
- Protect resources
- Minimize suppression costs

2015 FIRE SEASON HIGHLIGHTS

- Broke record for total cost of fire season. Sixteen fires in IDL protection required the use of 27 interagency incident management teams, the most IDL ever used in one fire season.
- Hosted fire safety training for loggers and other contractors mid-season in order to make more on-the-ground private resources available to fight fire.
- Rare large-scale closure of endowment land for fire safety (11,248-acre block in Silver Valley).
- Extended “closed fire season”, requiring fire safety burn permits past October 20.
- Worked with industry to put in place voluntary measures for loggers in areas covered by stage 2 fire restrictions.
- Required extra steps for agricultural burners in northern Idaho.
- Put forest cutting limitations in place on endowment lands in areas covered by stage 2 fire restrictions.
- Received 3,080 “man days” of help from Canadians through the Northwest and Northeast Firefighting Compacts.
- Will salvage 835,000 feet of timber killed by fire in 2015 across 6,000 acres of endowment land. Eighty percent of salvaged timber will come from Idaho County. (Note: These harvest figures and receipts will be reflected in FY16 statements)
- Coeur d’Alene Interagency Fire Cache processed more than $45 million in transactions to provide supplies to 251 fire incidents in Idaho and nationally. Business volume at the cache doubled in 2015.
- At the end of calendar year 2015, approximately 230 ranchers were members of six different rangeland fire protection associations (RFPA). Two additional areas were working toward being recognized in 2016. The RFPA’s contributed to fighting 30 fires in 2015.
2015 FIRE SEASON

321 FIRES
102 PERCENT OF 20-YEAR AVERAGE

78,571 acres
BURNED IN IDL PROTECTION
391 PERCENT OF 20-YEAR AVERAGE
3RD HIGHEST # of acres burned in IDL protection in one year

87% of < 10 acres

2015 FIRE SEASON COST
$60,211,000 General Fund Net Obligation
+ $17,902,000 Reimbursable Expenses for assisting on fires managed by other agencies
$78,113,000 Total Costs

IDL FIRES BY CAUSE

HISTORIC FIRE PROGRAM COSTS

STATEWIDE ACRES BURNED: PROTECTION AGENCY

STATEWIDE ACRES BURNED: OWNERSHIP

2013
2012
2011
2010
2009
2008
2007
2016
2015
2014

IDL FIRES BY REGION / DISTRICT

CLEARWATER COMPLEX FIRES
LARGEST, MOST COSTLY COMPLEX OF FIRES IN IDL PROTECTION IN 2015

SERIES OF LIGHTNING STRIKES IN THE KAMIAH AREA ON AUGUST 10-11 STARTED MORE THAN 137 SEPARATE FIRES ACROSS PROTECTION AGENCIES IN THE AREA, FROM WHICH THE CLEARWATER COMPLEX FIRES GREW

AREA COMMAND ESTABLISHED TO PROVIDE OVERSIGHT DURING THE MULTIPLE MODERN TECHNOLOGY-FEATURED ENTERPRISES MANAGING THE CLEARWATER COMPLEX FIRES

IDL SALVAGED 61 MMBF OF FIRE KILLED TIMBER ON 4,184 ACRES OF ENDOWMENT LAND IN THE MAGGIE CREEK SUPERVISORY AREA BASED IN KAMIAH
NEARLY 75 PERCENT OF THE TOTAL 83.5 MMBF OF SALVAGED TIMBER ACROSS ALL IDL SUPERVISORY AREAS

ACRES BURNED IN IDL PROTECTION
391 PERCENT OF 20-YEAR AVERAGE
3RD HIGHEST # of acres burned in IDL protection in one year

AVG $199,783 | COST PER ACRE BURNED $816 | MEDIAN FIRE SIZE .25 ACRE

Woodrat Fire, 2015 – Photo by Wyoming Interagency Hotshot Crew
ENDOWMENT LEASING HIGHLIGHTS AS OF JUNE 30, 2015

GRAZING PROGRAM
1,159 grazing leases with a total of 1,788,787 leased acres and an estimated 258,640 animal unit months (AUM)

AGRICULTURE PROGRAM
69 farming leases with a total of 15,519 leased acres and 517 animal unit months (AUM)

CONSERVATION PROGRAM
24 conservation leases

COMMERCIAL PROGRAM
28 industrial leases
6 military leases
46 recreation leases (commercial and noncommercial)
75 communication site leases

COMMERCIAL LEASES
Commercial office/retail leases
- 41 leases for office space
Alternative Energy
- 1 wind lease
- 21 geothermal leases
- 0 solar leases

RESIDENTIAL PROGRAM
276 Priest Lake cottage site leases
89 Payette Lake cottage site leases
5 other residential leases

ENDOWMENT MINERALS PROGRAM
53 exploration locations
174 mineral leases
41 oil and gas leases

LAND USE PERMITS
201 active land use permits

MINERAL LEASING

The IDL manages 3.3 million acres of state-owned mineral rights, which are the subsurface rights to any mineral. Since 1923, state law has required the State of Idaho to reserve the mineral rights when state land is sold to a private party. Therefore, of the 3.3 million acres of state-owned mineral rights, about 0.4 million acres of the surface rights also are owned by the state. The rest of the surface above the mineral rights has other surface ownership.

In 2015, IDL administered 174 Mineral Leases and 53 Exploration Locations. Exploration Locations are similar to federal mineral claims, and allow for mineral entry, meaning a claim can be staked on them. This allows the locator the right to explore for minerals, and decide if the minerals have economic value and would be worth mining.

Minerals that directly generate royalty revenue for the state endowment trust include aggregate (sand, gravel, stone, cinders) and metals. Sand and gravel continue to be the main source of mineral revenue to IDL.

The IDL manages 3.3 million acres of state-owned mineral rights, which are the subsurface rights to any mineral. Since 1923, state law has required the State of Idaho to reserve the mineral rights when state land is sold to a private party. Therefore, of the 3.3 million acres of state-owned mineral rights, about 0.4 million acres of the surface rights also are owned by the state. The rest of the surface above the mineral rights has other surface ownership.

In 2015, IDL administered 174 Mineral Leases and 53 Exploration Locations. Exploration Locations are similar to federal mineral claims, and allow for mineral entry, meaning a claim can be staked on them. This allows the locator the right to explore for minerals, and decide if the minerals have economic value and would be worth mining.

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Minerals that directly generate royalty revenue for the state endowment trust include aggregate (sand, gravel, stone, cinders) and metals. Sand and gravel continue to be the main source of mineral revenue to IDL.
The State of Idaho owns thousands of acres of state endowment trust land on the shores and upland of two of Idaho’s most beautiful lakes – Priest Lake in northern Idaho and Payette Lake in west central Idaho.

At the end of FY15, more than 365 individuals and families leased the lots, known as cottage sites, from the endowment trust.

This endowment trust owns the land and the cabins built on the land are owned by the lessees as personal property. In many instances, the lots have been leased by the same families for many generations.

COTTAGE SITE AUCTIONS

The Idaho Constitution requires a public auction for the disposal of state endowment trust land by sale. In 2010, the Land Board approved a plan to divest the state’s ownership of most of the cottage sites at Priest Lake and Payette Lake over time and reinvest the proceeds in other assets.

The auction for ownership of leased cottage site lots is voluntary, meaning the lessees of the lot nominate their leased sites for public auction. The state can accept no less than the appraised value of the lot at auction. If the winning bidder for a leased lot is not the lessee, the individual must pay the lessee for the appraised value of the privately owned improvements on the lot.

In October 2014, the Land Board approved one voluntary auction for ownership at each lake annually for 2015, 2016, and 2017, for a total of 180 leased lots that will be auctioned before the end of 2017.

By the end of 2017, it is expected the State of Idaho will have divested two-thirds of its ownership in Priest Lake and Payette Lake cottage sites through the voluntary auction for ownership process.

COTTAGE SITE LEASING

END OF FY15

94 COTTAGE SITES SOLD IN CY 15

ACTIVE COTTAGE SITE LEASES AT PRIEST LAKE

ACTIVE COTTAGE SITE LEASES AT PAYETTE LAKE
The IDL manages 1,159 grazing leases that cover 1,788,787 acres of state endowment trust land located primarily across the southern two thirds of Idaho. These leases contribute an estimated 258,640 animal unit months (AUM) of forage to livestock operations for this year. Most of the original farming land owned by the endowments was sold during the 1900s. What remains is a small portfolio of farming leases that total approximately 19,519 acres. Crops currently grown on state endowment trust lands include wheat, barley, potatoes, hay, corn, sugar beets, dry beans, hops, lentils, chickpeas, rape seed, organic corn, organic barley, and organic alfalfa hay.

The IDL also manages a small portfolio of conservation leases. The leases are developed to allow resource preservation, view preservation, wildlife management, and other conservation practices without diminishing the potential lease revenue for the endowed beneficiary.

**CONFLICT LEASE AUCTIONS**

In calendar year 2015, IDL held six conflict lease auctions for expiring grazing leases. Less than six percent of total grazing leases were conflicted in 2015. If more than one person applies to lease the same land, then the lease is auctioned to the applicants at a “conflict auction.” Conflict lease auctions are only available to the conflicting applicants.

**LAND BOARD SAGE-GROUSE PLAN**

The Land Board and the Oil and Gas Conservation Commission approved a plan in April outlining additional measures to conserve sage-grouse in Idaho. The Land Board’s Greater Sage-Grouse Conservation Plan includes enforceable stipulations in leases, permits, and easements on endowment lands. It also spells out recommended best management practices for activities pertaining to IDL’s role in supporting fire prevention, suppression, and rehabilitation, and regulating oil and gas development, some mining activities, and abandoned mine reclamation.

IDL created the plan because a federal listing of the bird would inhibit revenue generating activities on more than 600,000 acres of endowment rangelands. It also would constrain development activities that IDL regulates on privately owned land. Before it was approved, IDL collected comments on a draft plan from the public, including from natural resource industry user groups, environmental organizations, and relevant state and federal agencies.

Later in 2015, the U.S. Fish & Wildlife Service announced that listing sage-grouse under the Endangered Species Act was “not warranted.” Shortly after, Governor Otter and the Idaho Legislature filed a lawsuit challenging the federal government’s process behind amendments to federal land-use plans.

In the fall of 2015, the Land Board reaffirmed its commitment to implementing its Sage-Grouse Conservation Plan despite the unknown outcome of the legal challenge to the federal government’s decision on sage-grouse.
OIL & GAS LEASING

The IDL manages about 3.3 million acres of state-owned oil and gas rights, and leases those rights to explore and potentially produce oil and gas through competitive bidding at public auctions, with oversight and approval by the Land Board. Oil and gas rights owned by the state endowment trust are leased to make money for public schools and other specified beneficiary institutions. IDL also leases oil and gas rights owned by the Idaho Department of Fish and Game, the Idaho Transportation Department, and the public trust (the rights submerged below the ordinary high water mark of navigable streams and rivers within the state).

The Idaho Oil and Gas Conservation Commission regulates the exploration, drilling, and production of oil and gas resources in Idaho to ensure the conservation of oil and gas and the protection of surface and groundwater.

FIRE FORESTRY

The Idaho Oil and Gas Conservation Commission regulates the exploration, drilling, and production of oil and gas resources in Idaho to ensure the conservation of oil and gas and the protection of surface and groundwater.

CHANGES TO IDAHO’S RULES PERTAINING TO CONSERVATION OF CRUDE OIL AND NATURAL GAS, OR IDAPA 20.07.02, WERE APPROVED BY THE IDAHO LEGISLATURE IN 2015.

FY15 HIGHLIGHTS

1 NEW EXPLORATION PERMIT ISSUED
1 NEW DRILL PERMIT ISSUED
17 ACTIVE DRILL PERMITS
14 WELLS READY FOR DEVELOPMENT OR ALREADY IN DEVELOPMENT
1 WELL IN PRODUCTION

The year 2015 presented learning opportunities for the commission, department, industry and the public, particularly with maneuvering the process for integrating mineral owners to provide for orderly development and conserving oil and gas resources. I am confident that the regulatory processes for oil and gas, including integration, will be improved moving forward because of what we learned.

APPOINTED COMMISSION MEMBERS

CHAIRMAN CHRIS BECK
IDAHO OIL AND GAS CONSERVATION COMMISSION

JAMES CLASSEN
GEOLOGICAL INTERESTS

APPOINTED COMMISSION MEMBERS

VICE CHAIRMAN MARGARET CHIPMAN
LANDOWNER WITH MINERAL RIGHTS

SID CELLAN
LANDOWNER WITHOUT MINERAL RIGHTS

KEN SMITH
OIL AND GAS INTERESTS

OIL & GAS LEASING

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(IDL manages 441 OIL & GAS LEASES that cover 69,536 acres (End of FY15))
The IDL administers the Idaho Surface Mining Act and the Idaho Dredge and Placer Mining Act on all state, private, and federal lands in Idaho. Mining plans and reclamation bonds are required prior to the start of mining activity regulated by these laws. Plans are reviewed and approved in coordination with other state and federal agencies.

The IDL also provides financial and technical assistance to landowners across Idaho with abandoned mine issues. Public safety and environmental protection are the focus of the abandoned mine lands program, which is funded by a portion of the Mine License Tax.

**FY15 HIGHLIGHTS**

- 1,528 Surface Mining Reclamation Plans
- 24 Placer Mining Permits
- 179 Active Submerged Land Leases (e.g., marinas)
- 25 New Submerged Land Leases Issued
- 11,445 Active Encroachment Permits
- 401 New Encroachment Permits Issued
- 2 Active Riverbed Mineral Leases (excluding oil and gas leases)
- 2 Active Exploration Locations on Navigable Rivers

**PUBLIC TRUST LAND MANAGEMENT**

The IDL and Land Board administer public trust lands – the beds and banks lying below the ordinary high water mark of the state’s navigable lakes, rivers and streams.

In that capacity, IDL is the administrator of the Idaho Lake Protection Act and regulates encroachments and activities on, in, or above the navigable lakes in the State of Idaho. Examples of encroachments permitted by the IDL include docks, marinas, and float homes.

Additionally, IDL administers the leasing of riverbed public trust lands for minerals and processes disclaimers of interest and easements along navigable rivers. These lands are managed for the public’s benefit, not for a specific beneficiary.
ACCOUNTS AND FUNDING

REVENUE AND EXPENDITURES BY FUND TYPE FY2015

<table>
<thead>
<tr>
<th>Category</th>
<th>Revenue</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$1,186,058</td>
<td>$1,246,046</td>
</tr>
<tr>
<td>Mineral Sales Fund</td>
<td>$1,136,058</td>
<td>$1,246,046</td>
</tr>
<tr>
<td>State General Fund</td>
<td>$1,186,058</td>
<td>$1,246,046</td>
</tr>
<tr>
<td>Special Revenue Fund</td>
<td>$1,186,058</td>
<td>$1,246,046</td>
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<tr>
<td>Total</td>
<td>$4,654,222</td>
<td>$4,744,138</td>
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DEDICATED LANDS FUNDS

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>Revenue</th>
<th>Expenditures</th>
</tr>
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<tbody>
<tr>
<td>Forest Resources</td>
<td>$78,905</td>
<td>$80,000</td>
</tr>
<tr>
<td>Lands, Minerals &amp; Estates</td>
<td>$200,000</td>
<td>$200,000</td>
</tr>
<tr>
<td>Fire Management</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Board of Selling</td>
<td>$20,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>Student Recreation</td>
<td>$100,000</td>
<td>$100,000</td>
</tr>
<tr>
<td>Community Forestry Trust</td>
<td>$15,000</td>
<td>$15,000</td>
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<tr>
<td>Subtotal Dedicated Lands</td>
<td>$1,335,905</td>
<td>$1,335,905</td>
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</tbody>
</table>

External Dedicated Funds

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>Revenue</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subtotal Dedicated Funds</td>
<td>$1,335,905</td>
<td>$1,335,905</td>
</tr>
</tbody>
</table>

Federal Funds

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
</tbody>
</table>

Endowment Land Status

NUMBER OF ACRES BY ASSET TYPE

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>16,029.49</td>
</tr>
<tr>
<td>Commercial</td>
<td>972,543.41</td>
</tr>
<tr>
<td>Conservation</td>
<td>972,543.41</td>
</tr>
<tr>
<td>Forest</td>
<td>15,820.24</td>
</tr>
<tr>
<td>Residential</td>
<td>205.00</td>
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</tbody>
</table>

Endowment Land Revenue

<table>
<thead>
<tr>
<th>Activity</th>
<th>2014 Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>$66.00</td>
</tr>
<tr>
<td>Commercial</td>
<td>$636.00</td>
</tr>
<tr>
<td>Conservation</td>
<td>$42,664.90</td>
</tr>
<tr>
<td>Forest</td>
<td>$2,097.49</td>
</tr>
<tr>
<td>Residential</td>
<td>$1,374.00</td>
</tr>
</tbody>
</table>

Endowment Land Expenditures

<table>
<thead>
<tr>
<th>Activity</th>
<th>2014 Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>$1,413.69</td>
</tr>
<tr>
<td>Commercial</td>
<td>$12,301.00</td>
</tr>
<tr>
<td>Conservation</td>
<td>$63,606.33</td>
</tr>
<tr>
<td>Forest</td>
<td>$62.82</td>
</tr>
<tr>
<td>Residential</td>
<td>$20.49</td>
</tr>
</tbody>
</table>

Total Endowment Land Income | $2,345,682
Total Endowment Land Expenditures | $2,479,381

Net Income | ($123,699)

SURFACE ACRES BY ASSET TYPE

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>2014 Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
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Total Surface Acres | 2,479,381

ENDOWMENT LANDS & WATERWAYS ACCOUNT STATEMENTS

IDL - 2015 ANNUAL REPORT

We have examined and prepared the data presented in this annual report in accordance with generally accepted accounting standards and affirm it is true and accurate and reflects the activity of the Idaho Department of Lands and the Board of Land Commissioners during fiscal year 2015.

DEBBIE BUCK | Financial Officer
ENFORCEMENT

TRUST LANDS

INCOME STATEMENT

Direct Program Revenue 1

<table>
<thead>
<tr>
<th>Program Segment</th>
<th>Revenue</th>
<th>Net Income</th>
<th>Direct Program Expense</th>
<th>Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grazing Land</td>
<td>$2,120,109</td>
<td>$2,093,277</td>
<td>$26,832</td>
<td>$2,188,041</td>
</tr>
<tr>
<td>Residential Real Estate</td>
<td>3,448</td>
<td>9,091</td>
<td>5,117</td>
<td>1,150</td>
</tr>
<tr>
<td>Commercial Real Estate</td>
<td>$25,638</td>
<td>16,472</td>
<td>8,640</td>
<td>3,144</td>
</tr>
<tr>
<td>Forest Land</td>
<td>137,702</td>
<td>137,702</td>
<td>-</td>
<td>137,702</td>
</tr>
<tr>
<td>Minerals</td>
<td>122,364</td>
<td>90</td>
<td>128,364</td>
<td></td>
</tr>
<tr>
<td>Total GSI</td>
<td>59,609,693</td>
<td>16,654,475</td>
<td>118,346</td>
<td>150,121</td>
</tr>
<tr>
<td>Net Income</td>
<td>$31,322,599</td>
<td>$26,384,697</td>
<td>118,346</td>
<td>$265,041</td>
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</tbody>
</table>

1 Direct Program Expenses do not include allocations to Permanent Funds. 2 Direct Program Expense on sales of agri/forest land to Permanent Trust proceeds.

Net Income by Program Segment

<table>
<thead>
<tr>
<th>Program Segment</th>
<th>Revenue</th>
<th>Net Income</th>
<th>Direct Program Revenue</th>
<th>Total Revenue</th>
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### STATE OF IDAHO ENDOWMENT FUNDS – STATEMENTS OF ACTIVITIES – FOR THE YEAR ENDED JUNE 30, 2015

#### Total Net Position

<table>
<thead>
<tr>
<th></th>
<th>Increase (Decrease) in Net Position</th>
<th>Transfer from Permanent Fund</th>
<th>Transfer to Permanent Fund</th>
<th>Net Program Revenue</th>
<th>Total Program Revenues</th>
<th>Program Revenues:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent Net Position</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Permanent Net</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Reserve, beginning</td>
</tr>
<tr>
<td>Earnings Reserve Net Position</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>of year</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Permanent Net Position, end of year</td>
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<td></td>
</tr>
<tr>
<td>Earnings Reserve Net Position</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

#### Permanent Endowment Fund

<table>
<thead>
<tr>
<th></th>
<th>Increase (Decrease) in Net Position</th>
<th>Transfer to Earnings Reserve</th>
<th>Transfer from Earnings Reserve</th>
<th>Permanent Net Position, end of year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permanent Net Position, end of year</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Earnings Reserve Net Position</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

#### Program Expenses

<table>
<thead>
<tr>
<th></th>
<th>Increase (Decrease) in Net Position</th>
<th>Transfer to Earnings Reserve</th>
<th>Transfer from Earnings Reserve</th>
<th>Program Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Total Net Position

<table>
<thead>
<tr>
<th></th>
<th>Increase (Decrease) in Net Position</th>
<th>Transfer from Permanent Fund</th>
<th>Transfer to Permanent Fund</th>
<th>Total Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Net Position</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Introduction

Annual distributions to endowment beneficiaries come from land revenues and earnings on the investment of those revenues. While Idaho Department of Lands manages the land assets, the Idaho Endowment Fund Management invests the invested funds. The financial information below is excerpted from the audited financial statements located at www.efib.idaho.gov.
STATE OF IDAHO ENDOWMENT FUNDS

STATEMENT OF NET POSITION – JUNE 30, 2015

Current Assets:
- Cash with Treasurer: $388,669
- Investments, at Fair Value: $1,848,480,238
- Receivable for Unsettled Trades: $7,055,032
- Receivable From Idaho Department of Lands: $7,423,762
- Accrued Interest and Dividends Receivable: $5,489,349
- Prepaid Expenses to the Department of Lands: $451,459
Total Assets: $1,869,238,509

Current Liabilities:
- Payable for Unsettled Trades: $24,815,438
- Investment Manager Expenses Payable: $1,683,659
Total Liabilities: $26,499,097

Fund Balances:
- Nonspendable - Permanent Funds: $1,454,943,783
- Restricted - Earnings Reserve: $387,795,629
Total Fund Balances: $1,842,739,412

Net Position:
- Restricted for Permanent Trust - Nonexpendable: $387,795,629
- Restricted for Permanent Trust - Expendable: $387,795,629
Total Net Position - Governmental Activities: $1,842,739,412

ENDOWMENT FUNDS

STRUCTURE OF IDAHO’S ENDOWMENT ASSETS

PERMANENT ASSETS
(Nonspendable)

STATE OF IDAHO ENDOWMENT FUNDS
INVESTMENT BOARD

LAND ASSETS
(Department of Lands)

LAND BANK
(Reinvest land sale proceeds within five years)

ENDOWMENT FUND
INVESTMENT BOARD

LAND BANK
(Reinvest land sale proceeds within five years)

DISTRIBUTION TO BENEFICIARIES
(ENF Investments) S. F. of Permanent Fund

CURRENT LIABILITIES

REVENUES

MANAGEMENT COSTS

PERMANENT ASSET

LAND ASSETS
(Department of Lands)

LAND BANK
(Reinvest land sale proceeds within five years)

ENDOWMENT FUND
INVESTMENT BOARD

ENDOWMENT FUNDS

Perrine Bridge, Twin Falls